

REBUTTAL TESTIMONY OF

DAVID K. PICKLES

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2013-208-E

**Q. ARE YOU THE SAME DAVID PICKLES THAT HAS PREFILED
DIRECT TESTIMONY IN THIS CASE?**

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

The purpose of my testimony is to respond to portions of the direct testimony of Natalie Mims, who is testifying on behalf of the Southern Alliance for Clean Energy and the South Carolina Coastal Conservation League. Specifically, I will be responding to the testimony of Ms. Mims with respect to the balanced portfolio of Demand Side Management (“DSM”) programs proposed by South Carolina Electric & Gas Company (“SCE&G” or “Company”).

Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF MS. MIMS?

A. Yes, I have.

1 **Q. PLEASE RESPOND TO MS. MIMS’ STATEMENT THAT,**
2 **“BECAUSE ENERGY EFFICIENCY IS THE LOWEST COST**
3 **RESOURCE AVAILABLE TO UTILITIES, MAXIMIZING**
4 **ENERGY SAVINGS WILL PUT DOWNWARD PRESSURE ON THE**
5 **COMPANY’S RATES.”**

6 A. I do not agree that all energy efficiency is a lower cost resource than
7 supply-side alternatives. The adoption of DSM measures that are not cost-
8 effective will not put downward pressure on rates but, in fact, will drive
9 those rates upward because the Company will incur costs that exceed any
10 energy efficiency benefits that might be realized. Further, almost all energy
11 efficiency programs, even those that are cost-effective, cause an increase in
12 rates as a result of the lower sales base over which to spread fixed costs.
13 While total revenue requirements may decline, average rates will typically
14 increase. Also, S.C. Code Ann. § 58-37-20 authorizes the adoption of
15 procedures that encourage electric utilities to “invest in cost-effective
16 energy efficiency technologies and energy conservation programs.” The
17 Company has structured its DSM programs based on a comprehensive
18 analysis of numerous factors applicable in the Company’s service territory,
19 not by extrapolating what may appear to have previously been successful in
20 another jurisdiction operating under different avoided costs and other
21 planning assumptions.

1 **Q. PLEASE ADDRESS MS. MIMS' COMMENTS REGARDING THE**
2 **COMPANY'S ACTUAL VERSUS PROJECTED ENERGY**
3 **SAVINGS.**

4 A. In evaluating the Company's achievement of its savings forecasts for
5 Program Years 1 and 2, it should be recognized that the Company was held
6 to the original program benchmarks even though the implementation period
7 for many of the programs in Program Year 1 was less than a full year due to
8 several factors, including a lengthy contracting and ramp-up period
9 required for these programs. Moreover, although Table 2 of Ms. Mims'
10 testimony reports the actual savings as a percent of the Company's sales,
11 savings as a percent of sales was never the benchmark for the DSM
12 programs. Rather, the Company established realistic energy saving goals
13 based on a comprehensive analysis and, even despite the abbreviated
14 implementation period during Program Year 1, achieved actual energy
15 savings of 57,332 megawatt hours ("MWh"), or 65% of its forecast savings.
16 In Program Year 2, the Company achieved actual energy savings of
17 110,623 MWh, or 91% of its forecast energy savings. It is my experience
18 that this level of achievement in the initial years of a portfolio of energy
19 efficiency programs is reasonable, and is evidence of efficient and effective
20 program implementation.

1 **Q. PLEASE RESPOND TO MS. MIMS’ ASSERTIONS REGARDING**
2 **THE DSM MEASURES EVALUATED BY THE COMPANY.**

3 A. Ms. Mims states that the Company should have evaluated a broader
4 range of DSM measures like those contained in the 2010 DSM Potential
5 Study. The Company did in fact consider and build on the analysis
6 performed in the 2010 study, but the avoided costs (the savings from the
7 energy efficiency measures) have fallen approximately 40% relative to the
8 values used in that study. All things equal, this decrease necessarily has the
9 effect of rendering fewer measures cost-effective and, thus, reduces the
10 universe of DSM programs that the Company can provide while complying
11 with the statutory framework.

12 **Q. PLEASE ADDRESS MS. MIMS’ ASSERTION THAT THE**
13 **COMPANY SHOULD HAVE EVALUATED THE COST-**
14 **EFFECTIVENESS OF DSM MEASURES AT THE PROGRAM OR**
15 **PORTFOLIO LEVEL.**

16 A. On Page 10, Lines 15-18, Ms. Mims suggests that “applying the
17 cost-effectiveness tests at the program or portfolio level allows some
18 measures that are not cost-effective to be offered as long as their shortfall is
19 more than offset by other measures when bundled together.” If adopted,
20 this suggestion would require implementing DSM measures that are not
21 individually cost-effective by allowing other cost-effective DSM measures
22 to, in effect, subsidize those inefficient DSM measures. In addition to

1 resulting in increased costs to customers with no corresponding energy
2 savings, this suggestion is inconsistent with the language set forth in S.C.
3 Code Ann. § 58-37-20 for utilities to invest in “cost-effective energy
4 efficiency technologies and energy conservation programs.”

5 **Q. PLEASE RESPOND TO MS. MIMS’ PROPOSALS AS TO HOW**
6 **THE COMPANY CAN INCREASE ITS PROJECTED ENERGY**
7 **SAVINGS.**

8 A. Ms. Mims recommends that the Company can increase its energy
9 savings by increasing participation levels, but she provides no analysis or
10 details to demonstrate how this might be accomplished. For example, she
11 generally asserts on Page 15, Lines 14-16, that the Company should
12 maintain its existing levels of participation and savings through use of “new
13 lighting technologies,” but she does not explain how these new
14 technologies will increase energy savings in view of the already existing
15 federal lighting standards. Similarly, although Ms. Mims generally asserts
16 that energy savings could be increased through additional direct marketing
17 activities, she gives no analytic support for these assertions. Moreover, the
18 Company is in fact already undertaking some of the actions she proposes.
19 For example, the Energy Wise for your Business program includes
20 prescriptive food service and high efficiency equipment offerings, and, as
21 set forth in Exhibit __ (DKP-1) to my Direct Testimony, the Company
22 already plans to engage in efforts to increase participation and savings by

1 all customers eligible for incentives under the EnergyWise for your
2 Business program.

3 **Q. PLEASE ADDRESS MS. MIMS' PROPOSALS REGARDING**
4 **ADDITIONAL EFFICIENCY MEASURES THAT COULD**
5 **INCREASE THE COMPANY'S LEVEL OF SAVINGS.**

6 A. On Page 17, Ms. Mims generally asserts that the Company's
7 infrastructure "should be leveraged to offer even more efficient products to
8 consumers." She suggests that "Energy Star refrigerators, freezers,
9 dishwashers, clothes washers and room air-conditioners may be good
10 options for this type of program as well." The Company considered several
11 of these measures as part of the analysis performed with respect to its prior
12 submission to the Public Service Commission of South Carolina regarding
13 DSM programs and, as reflected in Exhibit __ (DKP-1) attached to my
14 Direct Testimony filed in Docket No. 2009-261-E, found that providing
15 incentives with respect to these measures was not cost effective:

Measure	Average of Measure TRC
Energy Star Clothes Washer	.28
Energy Star Dishwasher	.87
Energy Star Freezer	.66
Energy Star Refrigerator	.76

16 Because avoided costs have decreased since this analysis was performed,
17 these measures would be less cost-effective than was the case in 2010.

1 **Q. PLEASE ADDRESS MS. MIMS' PROPOSALS REGARDING**
2 **ADDITIONAL PROGRAMS THAT THE COMPANY COULD**
3 **OFFER TO INCREASE ITS ENERGY SAVINGS.**

4 A. Although Ms. Mims suggests several programs for implementation
5 by the Company, she does not provide any analysis of whether these
6 programs would be cost-effective if offered in the Company's service
7 territory. For example, on Page 20, Ms. Mims suggests a program adopted
8 by Duke Energy Ohio, through which energy savings are purchased from a
9 non-profit organization that provides home repair, enhanced mobility, and
10 energy efficiency service to low-income, elderly, and disabled
11 homeowners. However, this program is very expensive, with Duke Energy
12 Ohio being required to purchase the energy savings at \$0.255 per kilowatt
13 hour in the first year of the program. Ms. Mims' testimony contains no
14 analysis to demonstrate the cost-effectiveness of this program in the
15 Company's service territory, a crucial consideration given that Duke
16 Energy Ohio in its application to establish the program stated that costs of
17 the program would be "slightly less" than the net present value of the
18 avoided costs of this program.

19 In at least one instance, Ms. Mims suggests initiatives already
20 offered by the Company. Beginning on Page 21, Line 21, Ms. Mims
21 suggests a program adopted in New Jersey involving a retrofit
22 commissioning program focusing on energy savings through improved

1 operations and maintenance practices and no or low-cost retrofit measures
2 specific to supermarkets. However, as reflected on Page 33 of Exhibit ____
3 (DKP-1), the Company already plans to offer “incentives to customers
4 wishing to undertake technical services to assist in the development of
5 energy efficiency projects and customers wishing to perform a full retro-
6 commissioning of their facility.”

7 **Q. PLEASE RESPOND TO MS. MIMS’ PROPOSALS WITH RESPECT**
8 **TO INDUSTRIAL CUSTOMERS.**

9 A. Although Ms. Mims’ makes general recommendations for programs
10 directed toward industrial customers, there is no analysis demonstrating a
11 need for any of the identified programs, or showing that these programs
12 would be cost-effective in the Company’s service territory. Moreover, there
13 is no indication that Ms. Mims has considered the existing or proposed opt-
14 out provision in evaluating the need for and viability of these programs in
15 the Company’s service territory.

16 **Q. WHAT IS YOUR VIEW OF MS. MIMS’ PROPOSALS**
17 **CONCERNING ON-BILL FINANCING?**

18 A. Although on-bill financing is an interesting concept, it presently is
19 an unproven mechanism that generally has been adopted primarily by
20 electric cooperatives and municipal utilities, not extensively by investor-
21 owned utilities. This is reflected in the fact that the two examples she gives
22 of utilities implementing on-bill financing in South Carolina were the

1 Central Electric Power Cooperative and the Electric Cooperatives of South
2 Carolina. There is no evidence to demonstrate that on-bill financing can
3 systematically and consistently lead to greater cost-effective participation in
4 energy efficiency programs when compared to more traditional forms of
5 incentives.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.